

VILLAGE OF CENTREVILLE
ST. JOSEPH COUNTY, MICHIGAN

FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2005

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1988, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Village of Centreville	County St. Joseph
Audit Date 3/31/05	Opinion Date 5/24/05	Date Accountant Report Submitted to State: September 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

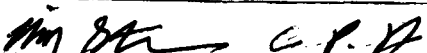
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

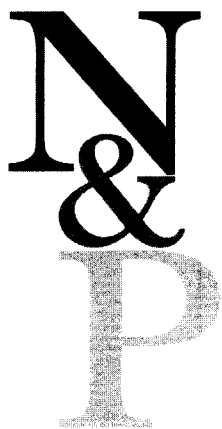
We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			X
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Norman & Paulsen, P.C.			
Street Address 123 North Main Street	City Three Rivers	State MI	ZIP 49093
Accountant Signature 			

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INDEPENDENT AUDITOR'S REPORT

Members of the Village Council
Village of Centreville, Michigan

Norman & Paulsen, P.C.

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We have audited the accompanying financial statements of the governmental activities, the business-type activities, the component unit, and each major fund of the Village of Centreville, Michigan as of and for the year ended March 31, 2005, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the component unit, and each major fund, of the Village of Centreville, Michigan as of March 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Donald L. Paulsen, CPA

Patrick J. Monahan, CPA

Bruce S. A. Gosling, CPA

Michael R. Wilson, CPA

Rick L. Strawser, CPA

Jerrel T. Norman (1941-1982)

In accordance with Government Auditing Standards, we have also issued our report dated May 24, 2005, on our consideration of the Village of Centreville, Michigan's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information beginning on pages iii through ix and pages 23 through 25 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Norman & Paulsen, P.C.

Norman & Paulsen, P.C.

Three Rivers, Michigan

May 24, 2005

**VILLAGE OF CENTREVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
MARCH 31, 2005**

As management of the Village of Centreville, we offer readers of the Village of Centreville's financial statements this narrative overview and analysis of the financial activities of the Village of Centreville for the fiscal year ended March 31, 2005. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished. This discussion contains comparative analysis when prior year information is available.

Financial Highlights

- The assets of the Village of Centreville exceeded its liabilities at March 31, 2005 by \$3,989,309. Of this amount unrestricted net assets of \$968,559 may be used to meet the government's ongoing obligations to citizens and creditors.
- Total net assets increased by \$249,864. Of this amount \$251,155 was associated with governmental and \$(1,291) with business type activities.
- As of the close of the current fiscal year, the Village of Centreville's governmental funds reported combined ending fund balances of \$1,712,220. Of this amount \$789,253 is unreserved and available for spending.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$118,497, or 18.8% of total general fund expenditures.
- The Village of Centreville's total debt obligations (including post retirement benefits) is \$3,061,000. This is a decrease of \$105,000 from prior year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Village of Centreville's basic financial statements. The Village of Centreville's basic financial statements are comprised of 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements The government-wide financial statements are designed to provide readers with a broad overview of the Village of Centreville's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all the Village's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Village is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

**VILLAGE OF CENTREVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
MARCH 31, 2005**

Both of the government-wide financial statements distinguish functions of the Village that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Village of Centreville include general government, public safety, parks and recreation, community services, community development and other charges. The major business-type activities of the Village include the water and sewer systems.

The government-wide financial statements include not only the Village of Centreville itself (known as the primary government), but also a legally separate Centreville Downtown Development Authority, a component unit of the Village. Financial information for the component unit is reported separately from the financial information presented for the primary government itself.

Fund Financial Statements A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The village, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Village of Centreville can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between the two.

The Village maintains four individual governmental funds: General, Major Street, Local Street, and Downtown Development Authority. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances. Individual fund data for each of these governmental funds is provided.

The Village of Centreville adopts a one year budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with the fiscal year end March 31, 2005 budget.

Proprietary Funds The Village of Centreville maintains two different types of proprietary funds: enterprise funds and an internal service fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Village maintains two individual enterprise funds: Sewer Fund and Water Fund. Information is presented separately in the proprietary statement of net assets and the proprietary statement of revenues, expenses and changes in fund net assets for the Sewer and Water funds, which are considered major funds. Internal service funds are used to accumulate and allocate costs internally among the Village's various functions. The Village of Centreville uses an internal service fund to account for its fleet maintenance.

**VILLAGE OF CENTREVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
MARCH 31, 2005**

Notes to the Financial Statements The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information In addition to the basic financial statements and accompanying notes, this report also presents certain other required supplementary information. Within this section are budget comparisons for all major governmental funds.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. At March 31, 2005, the Village's assets exceeded liabilities by \$3,989,309. Capital assets are used to provide services to citizens and they are not available for future spending. It should be noted that the resources needed to repay the remaining debt of capital assets must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following is a comparative statement of changes in net assets.

Village of Centreville's Net Assets

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Assets						
Current and other assets	\$ 860,954	\$ 825,776	\$ 818,755	\$ 826,680	\$ 1,679,709	\$ 1,652,456
Capital assets	<u>888,404</u>	<u>704,516</u>	<u>4,557,102</u>	<u>4,659,173</u>	<u>5,445,506</u>	<u>5,363,689</u>
Total assets	<u>\$1,749,358</u>	<u>\$1,530,292</u>	<u>\$5,375,857</u>	<u>\$5,485,853</u>	<u>\$7,125,215</u>	<u>\$7,016,145</u>
Liabilities						
Long-term liabilities outstanding	\$ -	\$ -	\$3,061,000	\$3,166,000	\$3,061,000	\$3,166,000
Other liabilities	<u>37,138</u>	<u>69,227</u>	<u>37,768</u>	<u>41,473</u>	<u>74,906</u>	<u>110,700</u>
Total Liabilities	<u>\$ 37,138</u>	<u>\$ 69,227</u>	<u>\$3,098,768</u>	<u>\$3,207,473</u>	<u>\$3,135,906</u>	<u>\$3,276,700</u>
Net Assets						
Invested in Capital Assets,						
Net of Related Debt	\$ 888,404	\$ 704,516	\$1,496,102	\$1,493,173	\$2,384,506	\$2,197,689
Restricted	34,563	30,308	601,681	590,506	636,244	620,814
Unrestricted	<u>789,003</u>	<u>726,241</u>	<u>179,306</u>	<u>194,701</u>	<u>968,559</u>	<u>920,942</u>
Total Net Assets	<u>\$1,712,220</u>	<u>\$1,461,065</u>	<u>\$2,277,089</u>	<u>\$2,278,380</u>	<u>\$3,989,309</u>	<u>\$3,739,445</u>

**VILLAGE OF CENTREVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
MARCH 31, 2005**

Village of Centreville's Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Revenues:						
Program revenues:						
Charges for services	\$ 80,038	\$ 73,876	\$ 436,058	\$ 422,882	\$ 516,096	\$ 496,758
Operating grants and Contributions	162,752	12,593	-	-	162,752	12,593
General revenues:						
Property taxes	249,093	257,794	-	-	249,093	257,794
State revenue sharing	266,704	271,073	-	-	266,704	271,073
Licenses and permits	21,587	24,981	-	-	21,587	24,981
Grants	9,628	8,825	-	-	9,628	8,825
Interest	11,499	10,377	12,408	10,771	23,907	21,148
Other	<u>3,931</u>	<u>21,093</u>	<u>883</u>	<u>1,172</u>	<u>4,814</u>	<u>22,265</u>
Total Revenues	805,232	680,612	449,349	434,825	1,254,581	1,115,437
Expenses:						
General government	200,590	216,220	-	-	200,590	216,220
Public safety	269,931	285,799	-	-	269,931	285,799
Public works	70,009	82,754	-	-	70,009	82,754
Health and welfare	10,757	20,869	-	-	10,757	20,869
Interest on long-term debt	-	1,131	-	-	-	1,131
Sewer and water	-	-	450,640	422,478	450,640	422,478
Depreciation - unallocated	<u>2,790</u>	<u>3,045</u>	<u>-</u>	<u>-</u>	<u>2,790</u>	<u>3,045</u>
Total Expenses	<u>554,077</u>	<u>609,818</u>	<u>450,640</u>	<u>422,478</u>	<u>1,004,717</u>	<u>1,032,296</u>
Increase in net assets	251,155	70,794	(1,291)	12,347	249,864	83,141
Net Assets - Beginning of Year	<u>1,461,065</u>	<u>1,390,271</u>	<u>2,278,380</u>	<u>2,266,033</u>	<u>3,739,445</u>	<u>3,656,304</u>
Net Assets - End of Year	<u>\$1,712,220</u>	<u>\$1,461,065</u>	<u>\$2,277,089</u>	<u>\$2,278,380</u>	<u>\$3,989,309</u>	<u>\$3,739,445</u>

**VILLAGE OF CENTREVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
MARCH 31, 2005**

Governmental Activities Governmental activities increased the Village's net assets by \$251,155 accounting for 100 percent of the total growth in the net assets. Key elements of this increase are as follows:

- ◆ County wide voted road millage in the local streets which has been and will continue to be used in local street projects.
- ◆ Council approved the additional 0.2862 mills permitted by the State which increased operating revenues in property taxes.
- ◆ In anticipation of major State Revenue Sharing cuts, Council was very conservative allowing spending only on necessities.
- ◆ Grant assistance in the purchase of a fire tanker truck and street improvements.

Business-type Activities Business-type activities decreased the Village's net assets by \$1,291 accounting for -0-percent of the total growth in the government's net assets. This decrease was primarily due to increased water repair & maintenance costs, added costs to the routine necessary day to day expenses (i.e. fuel surcharges added to regular service costs).

Financial Analysis of the Government's Funds

As noted earlier, the Village of Centreville uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Government Funds The purpose of the Village's governmental fund financial statements is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Village's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the Village's chief operating fund. At the end of the current fiscal year, unreserved fund balance of the general fund was \$118,417 while the total fund balance totaled \$199,722. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 18.8 percent of total general fund expenditures, while total fund balance represents 31.8 percent of that same amount.

Proprietary funds The Village's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Water and Sewer funds at the end of the year were \$75,921 and \$103,999, respectively. The total growth was (\$20,167) and \$20,325 for those same funds. Other factors concerning the finances of these funds have already been addressed in the discussion of the Village's business-type activities.

**VILLAGE OF CENTREVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
MARCH 31, 2005**

General Fund Budgetary Highlights

The final general fund budget was greater than the original budget by \$164,437. Actual revenues were \$184,286 greater than originally budgeted. The use of the \$184,286 can be briefly summarized as follows:

- ♦ \$178,977 – fire tanker was purchased.
- ♦ \$ 6,838 – liability insurance, fuel, and vehicle maintenance increases.

A Homeland Security grant was awarded to the Centreville Fire Department which allowed the purchase of the new fire tanker. The \$157,000 grant was received during the steps of the purchase. Nottawa and Florence Townships did share with the Village to cover the balance of the truck price.

Capital Asset and Debt Administration

Capital Assets The Village's investment in capital assets for its governmental and business type activities at March 31, 2005 amounts to \$283,580. This investment in capital assets includes sewer and water system expansion, and equipment within the village limits.

Major capital asset events during the current fiscal year included the following:

- ♦ \$ 56,653 – major and local street improvements
- ♦ \$ 2,200 – purchase of rescue vehicle light bar
- ♦ \$177,833 – new fire truck purchase
- ♦ \$ 46,894 – water main improvements along the 100 block of W Main Street.

Long-term debt At the end of the current fiscal year, the Village had \$3,061,000 in outstanding debt consisting of revenue bonds. All of the debt was secured by specific revenue sources.

Village of Centreville's Outstanding Debt

	Governmental.....		Business-type		Total	
	Activities		Activities			
	2005	2004	2005	2004	2005	2004
Revenue bonds	\$ _____	\$ _____	<u>\$3,061,000</u>	<u>\$3,166,000</u>	<u>\$3,061,000</u>	<u>\$3,166,000</u>

**VILLAGE OF CENTREVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
MARCH 31, 2005**

Economic Factors and Next Year's Budgets and Rates

The Village of Centreville Council has shown fiscal responsibility in its planning for budget and spending practices. The March 31, 2005, fiscal year end was full of uncertain revenue as well as expenses. Monthly reports are transmitted to the Village council that provides "actual" information related to the projections. Budgets for the March 31, 2006, fiscal year end were developed based upon the following assumptions.

- State of Michigan. One of the major sources of general fund revenue is through the State of Michigan Statutory and Constitutional revenue sharing. The State has reduced the amount of revenue share received by the Village of Centreville along with many other Michigan entities.
- Investment income. This source of revenue was projected equal to prior year budget. The investment rates have been slowly increasing but with the March 31, 2005, fiscal year end investment projections were not reached. The trend of slow growth is anticipated.
- Fire Department helmet grant. The fire department was awarded a FEMA grant for the purpose of purchasing new fire helmets. The Homeland Security firefighters grant award of \$5,580 plus the required local match of \$620 allows the fire department \$6,200 to purchase new helmets.
- Local Street County millage revenue. The Village is very grateful that the St. Joseph County voters did renew the County road millage on property taxes last August. As in the past this millage will be restricted to local street improvement projects.
- Enterprise fund rates. The sewer meter use rates were reviewed and found deficient to cover the gradually increased day to day necessary costs of the system. Council approved the \$2.00 per 1,000 gallons use rate to go into effect with the May 10, 2005 – June 10, 2005 billing cycle. This change was a \$0.60 per 1,000 gallons use increase.

Requests for Information

This financial report is designed to provide a general overview of the Village of Centreville's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Village of Centreville, 212 W Main Street, PO Box 399, Centreville MI 49032.

VILLAGE OF CENTREVILLE, ST. JOSEPH COUNTY, MICHIGAN

STATEMENT OF NET ASSETS
MARCH 31, 2005

	Primary Government			Component Units
	Governmental Activities	Business -Type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 409,006	\$ 158,154	\$ 567,160	\$ 44,175
Investments	381,407	-	381,407	-
Receivables (net)	44,499	58,920	103,419	2,698
Internal balances	(25,125)	-	(25,125)	25,125
Prepaid expenses	16,354	-	16,354	-
Restricted cash and cash equivalents	34,563	601,681	636,244	-
Capital assets - net	888,404	4,557,102	5,445,506	130,159
Total Assets	<u>\$ 1,749,108</u>	<u>\$ 5,375,857</u>	<u>\$ 7,124,965</u>	<u>\$ 202,157</u>
LIABILITIES				
Accounts payable	29,218	3,905	33,123	-
Accrued payroll and other liabilities	7,920	33,613	41,533	5
Noncurrent liabilities				
Due within one year	-	106,000	106,000	-
Due in more than one year	-	2,955,000	2,955,000	-
Total Liabilities	<u>\$ 37,138</u>	<u>\$ 3,098,518</u>	<u>\$ 3,135,656</u>	<u>\$ 5</u>
NET ASSETS				
Invested in capital assets				
Net of related debt	\$ 888,404	\$ 1,496,102	\$ 2,384,506	\$ -
Restricted for				
Debt service	-	601,681	601,681	-
Other purposes	34,563	-	34,563	-
Unrestricted	789,253	179,306	968,559	202,152
Total Net Assets	<u>\$ 1,712,220</u>	<u>\$ 2,277,089</u>	<u>\$ 3,989,309</u>	<u>\$ 202,152</u>

See accompanying notes to financial statements

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2005**

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
General government	\$ 200,589	\$ 64	\$ -	\$ -
Public safety	269,931	78,724	162,752	-
Public works	70,009	-	-	-
Health and welfare	10,757	1,250	-	-
Depreciation-unallocated	2,791	-	-	-
Total Governmental Activities	554,077	80,038	162,752	-
Business - Type Activities				
Water and Sewer	450,640	436,058	-	-
Total Primary Government	1,004,717	516,096	162,752	-
Component units:				
Downtown Development Authority	10,483	-	-	-
Total Component Units	\$ 10,483	\$ -	\$ -	\$ -

General Revenues

Property Taxes
State-Shared Revenues
Licenses and Permits
Grants and Entitlements not Restricted to Specific Programs
Unrestricted Investment Earnings
Miscellaneous

Transfers

Total General Revenues - Transfers

Change in Net Assets

Net Assets - Beginning of Year

Net Assets - End of Year

See accompanying notes to financial statements

Net (Expense) Revenue and Changes in Net Assets

Primary Government			
Governmental Activities	Business -Type Activities	Total	Component Units
\$ (200,526)	\$ -	\$ (200,526)	\$ -
(28,455)	-	(28,455)	-
(70,009)	-	(70,009)	-
(9,507)	-	(9,507)	-
(2,790)	-	(2,790)	-
(311,287)	-	(311,287)	-
-	(14,582)	(14,582)	-
(311,287)	(14,582)	(325,869)	-
-	-	-	(10,483)
\$ -	\$ -	\$ -	\$ (10,483)
249,093	-	249,093	59,772
266,704	-	266,704	-
21,587	-	21,587	-
9,628	-	9,628	-
11,499	12,408	23,907	367
3,931	883	4,814	-
-	-	-	-
562,442	13,291	575,733	60,139
251,155	(1,291)	249,864	49,656
1,461,065	2,278,380	3,739,445	152,496
\$ 1,712,220	\$ 2,277,089	\$ 3,989,309	\$ 202,152

VILLAGE OF CENTREVILLE, ST. JOSEPH COUNTY, MICHIGAN

**BALANCE SHEET
GOVERNMENTAL FUNDS
MARCH 31, 2005**

	General Fund	Major Street Fund	Local Street Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 185,675	\$ 27,629	\$ 162,007	\$ 375,311
Investments	-	185,325	65,096	250,421
Receivables (Net)	22,763	7,260	14,476	44,499
Due from other funds	5,513	-	1,735	7,248
Prepaid expenses	16,354	-	-	16,354
Restricted cash and cash equivalents	34,563	-	-	34,563
Total Assets	<u>\$ 264,868</u>	<u>\$ 220,214</u>	<u>\$ 243,314</u>	<u>\$ 728,396</u>
LIABILITIES				
Accounts payable	\$ 27,090	\$ 952	\$ 659	\$ 28,701
Other accrued liabilities	7,668	34	65	7,767
Due to other funds	30,388	1,735	-	32,123
Total Liabilities	<u>\$ 65,146</u>	<u>\$ 2,721</u>	<u>\$ 724</u>	<u>\$ 68,591</u>
FUND BALANCES				
Reserved for				
Restricted assets	\$ 64,951	\$ 1,735	\$ -	\$ 66,686
Prepaid expenses	16,354	-	-	16,354
Unrestricted	118,417	215,758	242,590	576,765
Total Fund Balances	<u>\$ 199,722</u>	<u>\$ 217,493</u>	<u>\$ 242,590</u>	659,805

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds. 786,990

Internal service funds are used to charge the costs of certain activities, such as motor vehicle pool maintenance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. 265,425

Net Assets of Governmental Activities \$ 1,712,220

See accompanying notes to financial statements

VILLAGE OF CENTREVILLE, ST. JOSEPH COUNTY, MICHIGAN

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED MARCH 31, 2005**

	General Fund	Major Street Fund	Local Street Fund	Total Governmental Funds
Revenues				
Taxes and Penalties	\$ 228,240	\$ -	\$ 20,853	\$ 249,093
Licenses and Permits	13,636	-	-	13,636
Federal Grants	157,500	-	-	157,500
State Grants	158,317	74,826	33,561	266,704
Operating contributions	14,880	-	-	14,880
Charges for Services	80,038	-	-	80,038
Fines and Forfeits	7,951	-	-	7,951
Interest and Rentals	2,075	2,742	4,530	9,347
Other Revenue	3,931	-	-	3,931
Total Revenues	666,568	77,568	58,944	803,080
Expenditures				
Current				
General Government	191,541	2,857	2,928	197,326
Public Safety	246,446	-	-	246,446
Public Works	-	40,335	16,805	57,140
Health and Welfare	10,757	-	-	10,757
Capital Outlay	180,033	35,609	21,044	236,686
Total Expenditures	628,777	78,801	40,777	748,355
Excess (deficiency) of Revenues Over Expenditures	37,791	(1,233)	18,167	54,725
Other Financing Sources (Uses)				
Transfers in	-	-	18,706	18,706
Transfers (Out)	-	(18,706)	-	(18,706)
Total Other Financing Sources (Uses)	-	(18,706)	18,706	-
Excess of Revenue and Other Sources Over (Under) Expenditures and Other Uses	37,791	(19,939)	36,873	54,725
Fund Balance - April 1, 2004	161,931	237,432	205,717	605,080
Fund Balance - March 31, 2005	\$ 199,722	\$ 217,493	\$ 242,590	\$ 659,805

See accompanying notes to financial statements

Net Change in Fund Balances - Total Governmental Funds \$ 54,725

Amounts reported for governmental activities in the statement of activities are different because

Governmental funds report capital outlays as expenditures; in the statement of activities these costs are allocated over their estimated useful lives as depreciation.

Capital outlay	236,686	
Depreciation expense	<u>(37,882)</u>	198,804

Internal service funds are used to charge the costs of certain activities such as the motor vehicle pool to individual funds. The net revenue of the internal service funds is reported with governmental activities (net of amount allocated to business - type activities of \$ (1,449).

(2,374)

Change in Net Assets of Governmental Activities

\$ 251,155

VILLAGE OF CENTREVILLE, ST. JOSEPH COUNTY, MICHIGAN

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
MARCH 31, 2005

	Business - Type Activities Enterprise Funds			Governmental Activities - Internal Service Fund
	Water Fund	Sewer Fund	Totals	
ASSETS				
Current assets				
Cash and cash equivalents	\$ 78,630	\$ 80,138	\$ 158,768	\$ 33,081
Investments	-	-	-	130,986
Receivables, net	32,911	26,009	58,920	-
Total current assets	111,541	106,147	217,688	164,067
Noncurrent assets				
Restricted cash and cash equivalents, and investments	263,102	338,579	601,681	-
Capital assets	2,002,920	2,554,182	4,557,102	101,414
Total noncurrent assets	2,266,022	2,892,761	5,158,783	101,414
Total Assets	\$ 2,377,563	\$ 2,998,908	\$ 5,376,471	\$ 265,481
LIABILITIES				
Current liabilities				
Accounts payable	\$ 2,330	\$ 1,575	\$ 3,905	\$ 517
Accrued payroll and other liabilities	33,290	323	33,613	153
Due to other funds	-	250	250	-
Current portion of noncurrent liabilities	21,000	85,000	106,000	-
Total current liabilities	56,620	87,148	143,768	670
Noncurrent liabilities				
Bonds, notes and loans payable	1,630,000	1,325,000	2,955,000	-
Total Liabilities	\$ 1,686,620	\$ 1,412,148	\$ 3,098,768	\$ 670

See accompanying notes to financial statements

VILLAGE OF CENTREVILLE, ST. JOSEPH COUNTY, MICHIGAN

STATEMENT OF NET ASSETS (CONTINUED)
 PROPRIETARY FUNDS
 MARCH 31, 2005

	Business - Type Activities Enterprise Funds			Governmental Activities - Internal Service Fund
	Water Fund	Sewer Fund	Totals	
NET ASSETS				
Invested in capital assets -				
Net of related debt	\$ 351,920	\$ 1,144,182	\$ 1,496,102	\$ 101,414
Restricted for				
Debt service	263,102	338,579	601,681	-
Unrestricted	75,921	103,999	179,920	163,397
Total Net Assets	<u>\$ 690,943</u>	<u>\$ 1,586,760</u>	2,277,703	<u>\$ 264,811</u>

Reconciliation to the statement of net assets

Internal service funds are used to charge the costs of certain activities, such as the motor vehicle pool to individual funds. The assets and liabilities of certain internal service funds are included with business-type activities in the statement of net assets.

(614)

Net assets of business-type activities

\$ 2,277,089

See accompanying notes to financial statements

VILLAGE OF CENTREVILLE, ST. JOSEPH COUNTY, MICHIGAN
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED MARCH 31, 2005

	Business - Type Activities Enterprise Funds			Governmental Activities - Internal Service Fund
	Water Fund	Sewer Fund	Totals	
Operating revenues				
Water sales	\$ 226,926	\$ -	\$ 226,926	\$ -
Sewage disposal services	-	197,932	197,932	-
Equipment rentals	-	-	-	36,824
Penalties and interest charges	-	-	-	-
Installation and other charges	1,278	10,805	12,083	-
Total operating revenues	228,204	208,737	436,941	36,824
Operating expenses				
Personnel services	43,547	31,777	75,324	8,473
Contractual services	16,790	16,569	33,359	800
Utilities	9,602	3,647	13,249	3,712
Repairs and maintenance	15,374	22,125	37,499	8,945
Other supplies and expenses	16,522	12,856	29,378	5,953
Depreciation	71,844	77,120	148,964	14,916
Total operating expenses	173,679	164,094	337,773	42,799
Operating income (loss)	54,525	44,643	99,168	(5,975)
Nonoperating revenues (expenses)				
Interest revenue	4,045	8,363	12,408	2,152
Interest expense	(78,737)	(32,681)	(111,418)	-
Total nonoperating revenues (expenses)	(74,692)	(24,318)	(99,010)	2,152
Change in net assets	(20,167)	20,325	158	(3,823)
Total net assets - beginning of year	711,110	1,566,435	2,277,545	261,316
Total net assets - end of year	\$ 690,943	\$ 1,586,760	\$ 2,277,703	\$ 257,493

See accompanying notes to financial statements

Reconciliation to Government-wide Statement of Net Assets:

Amounts reported for business-type activities in the government-wide
Statement of Activities are different because:

Net change in net assets - total business-type funds	\$ 158
Net effect of elimination of internal service fund activities.	<u>(1,449)</u>
Change in net assets of business-type activities	<u><u>\$ (1,291)</u></u>

VILLAGE OF CENTREVILLE, ST. JOSEPH COUNTY, MICHIGAN

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS
FOR THE YEAR ENDED MARCH 31, 2005

	Business - Type Activities Enterprise Funds			Governmental Activities - Internal Service Fund
	Water Fund	Sewer Fund	Totals	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 224,091	\$ 206,984	\$ 431,075	\$ -
Receipts for interfund services	-	-	-	36,824
Payments for interfund services	(5,631)	(3,301)	(8,932)	-
Payments to suppliers	(52,846)	(53,829)	(106,675)	(22,340)
Payments to employees	(44,292)	(32,704)	(76,996)	(8,734)
Payments from other funds	-	250	250	-
Net cash provided (used) by operating activities	121,322	117,400	238,722	5,750
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Operating subsidies and transfers to other funds	-	-	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
(Increase)decrease restricted assets	(3,425)	(7,750)	(11,175)	-
Purchases of capital assets	(46,893)	-	(46,893)	-
Proceeds from sale capital assets	-	-	-	-
Principal and interest paid on capital debt	(98,897)	(117,681)	(216,578)	-
Net cash provided (used) by capital and related financing activities	(149,215)	(125,431)	(274,646)	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investments	-	-	-	(79,137)
Interest and dividends	4,025	8,627	12,652	2,152
Net cash provided by investing activities	4,025	8,627	12,652	(76,985)
Net increase (decrease) in cash and cash equivalents	(23,868)	596	(23,272)	(71,235)
Balances - beginning of year	102,498	79,542	182,040	104,316
Balances - end of year	\$ 78,630	\$ 80,138	\$ 158,768	\$ 33,081

See accompanying notes to financial statements

VILLAGE OF CENTREVILLE, ST. JOSEPH COUNTY, MICHIGAN

STATEMENT OF CASH FLOWS (CONTINUED)
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED MARCH 31, 2005

	Business - Type Activities Enterprise Funds			Governmental Activities - Internal Service Fund
	Water Fund	Sewer Fund	Totals	
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Operating income (loss)	\$ 54,525	\$ 44,643	\$ 99,168	\$ (5,975)
Adjustments to reconcile operating income to net cash provided (used) by operating activities				
Depreciation expense	71,844	77,120	148,964	14,916
(Increase) decrease in assets				
Receivables	(4,113)	(1,752)	(5,865)	-
Increase (decrease) in liabilities				
Accounts payables	(189)	(1,934)	(2,123)	(2,930)
Accrued expenses	(745)	(927)	(1,672)	(261)
Due to other funds	-	250	250	-
Net cash provided by operating activities	<u>\$ 121,322</u>	<u>\$ 117,400</u>	<u>\$ 238,722</u>	<u>\$ 5,750</u>

See accompanying notes to financial statements

VILLAGE OF CENTREVILLE, ST. JOSEPH COUNTY, MICHIGAN

STATEMENT OF NET ASSETS
COMPONENT UNIT
MARCH 31, 2005

	Downtown Development Authority
ASSETS	
Current assets	
Cash and cash equivalents	\$ 44,175
Receivables (net)	2,698
Internal balances	25,125
Total current assets	71,998
Noncurrent assets	
Capital assets - net	130,159
Total noncurrent assets	130,159
Total Assets	\$ 202,157
LIABILITIES	
Accrued payroll and other liabilities	\$ 5
Total Liabilities	\$ 5
NET ASSETS	
Unrestricted	\$ 202,152
Total Net Assets	\$ 202,152

See accompanying notes to financial statements

VILLAGE OF CENTREVILLE, ST. JOSEPH COUNTY, MICHIGAN

STATEMENT OF ACTIVITIES
COMPONENT UNIT
FOR THE YEAR ENDED MARCH 31, 2005

Functions/Programs		Program Revenues		
		Charges for	Operating	Capital
	Expenses	Services	Grants and	Grants and
			Contributions	Contributions
Downtown Development Authority				
General government	\$ 1,779	\$ -	\$ -	\$ -
Community and economic development	8,704	-	-	-
Total Downtown Development Authority	<u>\$ 10,483</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

General Revenues

Property taxes

Unrestricted interest and investment earnings

Total general revenues

Change in Net Assets

Net Assets - Beginning of Year

Net Assets - End of Year

See accompanying notes to financial statements

Net (Expense)
Revenue and
Changes in
Net Assets
Downtown
Development
Authority

\$ (1,779)

(8,704)

(10,483)

59,772

367

60,139

49,656

152,496

\$ 202,152

VILLAGE OF CENTREVILLE, ST. JOSEPH COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Village of Centreville conform to the accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies used by the Village of Centreville:

A. Reporting Entity

An elected six-member council (Board) governs the Village of Centreville. The accompanying financial statements present the government and its component unit, for which the government is considered to be financially accountable.

The Downtown Development Authority (DDA), considered to be a discretely presented component unit, is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government. The Downtown Development Authority's purpose is to promote and facilitate capital improvement projects for the downtown district.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities that rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the fund financial statements. There are no nonmajor governmental funds to report on.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

VILLAGE OF CENTREVILLE, ST. JOSEPH COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to debt service, compensated absences, and claims and judgments are recorded only when payment is due.

When both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first, and then unrestricted resources as they are needed.

One of the revenue types for which receivables are recorded on the governmental fund balance sheet is property taxes. Property tax is levied on each December 1st on the taxable valuation of property located in the Village of Centreville as of the preceding December 31st.

Although the Village of Centreville's 2004 ad valorem tax is levied and collectible between July 1 and September 15, 2004, it is the Village of Centreville's policy to recognize revenue from the current tax levy in the subsequent year or the current year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2004 taxable valuation of the Village of Centreville totaled \$23,785,200, on which ad valorem taxes levied of 12.43130 mills raised \$260,287 for the Village of Centreville's operating purposes.

These amounts are recognized in the respective General and Special Revenue Fund financial statements as taxes receivable – current or as property tax revenue.

The government reports the following major governmental funds:

The government's primary operating fund, the general fund, accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Major Street Fund accounts for the resources of state gas and weight tax revenues that are restricted for use on major streets, whereas, the Local Street Fund accounts for resources restricted for use on local streets.

There are no nonmajor governmental funds.

The government reports the following major proprietary funds:

Water Fund - The Water Fund accounts for revenues generated from charges for distribution of water to the residential and commercial users of the Village.

Sewer Fund - The Sewer Fund accounts for revenues generated from charges for sanitary sewer services provided to the residential and commercial users of the Village.

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Additionally, the government reports the following fund type:

Internal Service Fund The Internal Service Fund accounts for major machinery and equipment purchases and maintenance. The equipment and machinery is rented to other departments of the government.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The Village has elected to follow private sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Village's water and sewer function and various other functions of the Village. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relate to charges to customers for sales and services. The water and sewer fund also recognizes the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

D. Assets, Liabilities, and Net Assets or Equity

Bank deposits and investments-Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and payables-In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statement as "internal balances."

No allowance for uncollectible accounts has been provided. Management has evaluated the accounts and believes they are all collectible.

Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are payable between July 1st and September 15th of the following year. After September 15th they are considered delinquent at which time penalties and interest are assessed.

VILLAGE OF CENTREVILLE, ST. JOSEPH COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2005

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Prepaid Items- Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both the government-wide and fund financial statements.

Restricted Assets- Certain monies have been set-aside for specific purposes and are shown as restricted cash on the statement of assets and on the governmental fund statement. The revenue bonds of the enterprise funds require amounts to be set aside for construction, debt service principal and interest, operations and maintenance, and a bond reserve. These amounts have been classified as restricted assets.

Capital Assets- Capital assets, which include property, plant, equipment, infrastructure assets, (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. The government defines capital assets as assets with an initial individual cost of more than \$2,500 and an estimated useful life in excess of 3 years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the current year \$0 interest expense was capitalized as part of the cost of assets under construction.

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

Buildings	20 – 50 years
Land improvements	20 years
Water and sewer lines	30 - 50 years
Fire hydrants	30 years
Water and sewer equipment	10 – 15 years
Roads	15 years
Sidewalks	30 years
Bridges	50 years
Vehicles	10 years
Office equipment	10 years
Computer equipment	5 years

GASB 34 requires infrastructure acquired, donated, constructed or substantially rehabilitated since fiscal years ending after June 30, 1980 be inventoried and capitalized. Capitalized infrastructure as required by GASB 34 is reported in the statement of net assets.

Long-Term Obligations- In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

VILLAGE OF CENTREVILLE, ST. JOSEPH COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences (Vacation and Sick Leave)-It is the Village of Centreville's policy to permit employees to accumulate unused sick days from year to year up to 240 hours. No benefit is paid upon termination of employment; therefore, due to the unpredictable use of this benefit no accrual has been established. It is the Village's policy to not permit employees to accumulate vacation days from year to year.

Fund Equity-In the fund financial statements, governmental funds report reservations of fund balances for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Reserves exist for prepaid expenditures as those items will be expended in subsequent years. Designations of fund balance represent tentative management plans that are subject to change.

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information-Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end. Public hearings are held to obtain taxpayer comments before the Village Council approves the budgets. The Council must approve any revisions of the budgets.

The budget documents present information by fund, function, department and line items. The legal level of budgetary control adopted by the governing body is the fund. The village manager is empowered to transfer line-item budget amounts within appropriation centers.

Budgets as presented for the governmental funds are prepared on the modified accrual basis consistent with generally accepted accounting principles.

In the Required Supplemental Information section of the financial statements, the Village's actual expenditures and budgeted expenditures is shown for the governmental funds. The Village incurred fewer expenditures for all governmental funds than budgeted.

NOTE 3 DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes local government units to make deposits and invest in the following:

- In certificates of deposit, savings accounts, deposit accounts of federally insured banks, credit unions, and savings and loan associations that have an office in Michigan.
- In bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States.
- In United States government or federal agency obligation repurchase agreements.
- In banker's acceptance of United States banks.
- In commercial paper rated within the two highest classifications that mature not more than 270 days after the date of purchase.
- In obligations of the State of Michigan or its political subdivisions that are rated as investment grade.
- In mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Village of Centreville Board has designated three banks for the deposit of the Village's funds. The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investment in bank depository accounts and certificates of deposit, but not the remainder of State statutory authority as listed above. The Village of Centreville's deposits and investment policy are in accordance with statutory authority.

VILLAGE OF CENTREVILLE, ST. JOSEPH COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

At March 31, 2005 the Village held the following deposits and investments:

	Governmental Activities	Business-Type Activities	Total Primary Government	Component Unit
Cash/cash equivalents	\$375,311	\$191,849	\$567,160	\$44,175
Certificates of deposit	250,421	130,986	381,407	-
Restricted Assets	<u>34,563</u>	<u>601,681</u>	<u>636,244</u>	-
Total	<u>\$660,295</u>	<u>\$924,516</u>	<u>\$1,584,811</u>	<u>\$44,175</u>

The breakdown between deposits and investments is as follows:

	Primary Government	Component Unit
Petty cash and cash on hand	\$ -	\$ -
Bank deposits (checking and savings accounts, certificates of deposit)	1,584,811	44,175
Investments in securities, mutual Funds and similar vehicles	-	-
Total	<u>\$1,584,811</u>	<u>\$44,175</u>

Deposits are categorized below according to level of custodial credit risk:

1. Insured deposits held by the Village or its agent in the Village's name;
2. Uninsured and uncollateralized deposits held by the Village or its agent in the Village's name.

At year-end, the government's deposit balances were categorized as follows:

	Category 1	Category 2	Reported Amount (Fair Value)
Primary Government			
Demand deposits	\$200,000	\$297,347	\$ 497,347
Certificates of deposit and savings accounts	<u>478,482</u>	<u>608,982</u>	<u>1,087,464</u>
Total	<u>\$678,482</u>	<u>\$906,329</u>	<u>\$1,584,811</u>
Component Unit			
Demand deposits	<u>\$ 44,175</u>	<u>\$ -</u>	<u>\$ 44,175</u>

The uninsured/uncollateralized deposits subject the Village to a concentration of credit risk spread among three local banks. The three banks hold uninsured/uncollateralized monies of \$752,499, \$138,879 and \$14,951, respectively.

In addition to being exposed to custodial credit risk for the uninsured investments, governments may be subject to interest rate risk. This is the risk that changes in interest rates will adversely affect the fair value of an investment. To lower the village's exposure to credit and interest rate risk they invest funds in financial instruments that provide the highest level of safety of principal. After identifying financial institutions that meet their criteria they diversify holdings to minimize potential losses on individual holdings. They have chosen to invest in savings accounts and certificate of deposits that are not subject to interest rate fluctuation.

VILLAGE OF CENTREVILLE, ST. JOSEPH COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

NOTE 4 CAPITAL ASSETS

The following summarizes the changes in capital assets for the fiscal year ended March 31, 2005:

Governmental Activities

	Balance April 1, 2004	Increases	Decreases	Balance March 31, 2005
Capital assets not being depreciated:				
Land	\$ 128,400	\$ -	\$ -	\$ 128,400
Capital assets being depreciated:				
Land				
Improvements	\$ 24,809	\$ -	\$ -	\$ 24,809
Buildings-Water	45,389	-	-	45,389
Buildings-Internal				
Service Pool	42,390	-	-	42,390
Infrastructure	159,038	56,653	-	215,691
Equipment	41,154	2,200	-	43,354
Equipment-Internal				
Service Pool	191,183	-	-	191,183
Office equipment	17,726	-	-	17,726
Vehicles	437,391	177,833	-	615,224
Subtotal	959,080	236,686	-	1,195,766
Less Accumulated depreciation for:				
Land				
Improvements	1,964	1,240	-	3,204
Buildings-Water	25,733	908	-	26,641
Buildings-Internal				
Service Pool	14,269	848	-	15,117
Infrastructure	17,432	11,313	-	28,745
Equipment	35,813	1,737	-	37,550
Equipment-Internal				
Service Pool	102,974	14,068	-	117,042
Office equipment	13,548	643	-	14,191
Vehicles	171,231	22,041	-	193,272
Subtotal	382,964	52,798	-	435,762
Net capital assets being depreciated:	576,116	183,888	-	760,004
Governmental Activities				
Total Capital Assets-				
Net of depreciation	\$704,516	\$183,888	\$ -	\$ 888,404

VILLAGE OF CENTREVILLE, ST. JOSEPH COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

NOTE 4 CAPITAL ASSETS (CONTINUED)

Business-type Activities

	Balance April 1, <u>2004</u>	<u>Increases</u>	<u>Decreases</u>	Balance March 31, <u>2005</u>
Capital assets not being depreciated:				
Land and land improvements	\$ 154,526	\$ -	\$ -	\$ 154,526
Capital assets being depreciated:				
Buildings	4,522	-	-	4,522
Sewage system	3,780,787	-	-	3,780,787
Wells, mains, Equipment	2,876,918	46,894	-	2,923,812
Office equipment	<u>9,734</u>	<u>-</u>	<u>-</u>	<u>9,734</u>
Subtotal	<u>6,671,961</u>	<u>46,894</u>	<u>\$ -</u>	<u>6,718,855</u>
Less Accumulated Depreciation for:				
Buildings	4,522	-	-	4,522
Sewage system	1,300,466	77,081	-	1,377,547
Wells, mains, equipment	852,631	71,844	-	924,476
Office equipment	<u>9,695</u>	<u>40</u>	<u>-</u>	<u>9,734</u>
Subtotal	<u>2,167,314</u>	<u>148,965</u>	<u>-</u>	<u>2,316,279</u>
Net Capital Assets being depreciated	<u>4,504,647</u>	<u>(102,071)</u>	<u>-</u>	<u>4,402,576</u>
Total Business-Type Capital Assets – Net Of Depreciation	<u>\$4,659,173</u>	<u>\$ (102,071)</u>	<u>\$ -</u>	<u>\$4,557,102</u>

VILLAGE OF CENTREVILLE, ST. JOSEPH COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

NOTE 4 CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities	
Public Safety	\$23,485
Public Works	11,606
Unallocated	2,791
Internal service	14,916
Total Governmental Activities	<u>\$52,798</u>
Business-Type Activities	
Water	\$ 71,844
Sewer	77,121
Total Business-Type Activities	<u>\$148,965</u>

Construction Commitments -The Village has no active construction projects at year-end.

Downtown Development Authority -The authority has no commitments or projects in process at year-end.

NOTE 5 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Due To	Due From	
Local street	Major street	\$1,735
General fund	Sewer fund	250
Due To	Due From	
Component unit-	Primary government-	
Downtown Development Authority	General Fund	<u>\$25,125</u>

The Village deposits all property tax receipts in the general fund. At year-end the general fund held \$30,388 of property tax receipts owed to the Downtown Development Authority (DDA). This receivable has been netted against a payable due the general fund for expenditures paid on behalf of the DDA of \$5,263.

Interfund Transfers

The Major Street fund transferred \$18,706 to the Local Street fund which represents the allowable transfer of 25% of State revenue sharing funds.

NOTE 6 NOTE PAYABLE

There were no short-term borrowings during the fiscal year ended March 31, 2005.

VILLAGE OF CENTREVILLE, ST. JOSEPH COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

NOTE 7 LONG-TERM DEBT

In 1998 the Village issued revenue bonds to provide for the acquisition and construction of major capital facilities. These bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

Bond and contractual obligation activity can be summarized as follows:

	Beginning Balance	Additions (Reductions)	Ending Balance	Due Within One Year
Business-Type Activities				
Revenue bonds through the Michigan Municipal Bond Authority				
1998 Water Supply System \$1,900,000 bond; 4.75% interest; maturing April 2038.	\$1,671,000	(\$ 20,000)	\$1,651,000	\$ 21,000
1998 Sewage Treatment System; \$1,900,540 bonds; 5.0% interest; maturing October 2018	<u>1,495,000</u>	<u>(85,000)</u>	<u>1,410,000</u>	<u>85,000</u>
Total Business-Type Activities	<u>\$3,166,000</u>	<u>(\$105,000)</u>	<u>\$3,061,000</u>	<u>\$106,000</u>

Annual debt service requirements to maturity for the above obligations are as follows:

<u>Year End March 31</u>	Business-Type	
	<u>Principal</u>	<u>Interest</u>
2006	106,000	109,649
2007	112,000	106,715
2008	113,000	103,621
2009	119,000	100,480
2010-2014	635,000	450,650
2015-2019	731,000	355,325
2020-2024	222,000	270,225
2025-2029	280,000	210,995
2030-2034	353,000	136,111
2035-2039	<u>390,000</u>	<u>42,988</u>
Total debt service	<u>\$3,061,000</u>	<u>\$1,886,759</u>

NOTE 8 RISK MANAGEMENT

The Village is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Village has purchased commercial insurance for workers' compensation and liability claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years. At fiscal year end there are no outstanding claims.

VILLAGE OF CENTREVILLE, ST. JOSEPH COUNTY, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005**

NOTE 9 DEFINED CONTRIBUTION PLAN

The Village maintains a defined contribution plan for substantially all full-time employees. The Village contributes 4% of eligible employees' compensation. For fiscal year ended June 30, 2005, the Village contributed \$3,557 to the plan.

REQUIRED SUPPLEMENTARY INFORMATION

VILLAGE OF CENTREVILLE, ST. JOSEPH COUNTY, MICHIGAN

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED MARCH 31, 2005**

	Original Budget	Amended Budget	Actual	Favorable (Unfavorable) Variance with Amended budget
Resources (inflows)				
Real and personal property taxes	\$ 219,152	\$ 219,152	\$ 228,240	\$ 9,088
Federal grants	-	157,500	157,500	-
State grants	150,000	150,000	158,317	8,317
Operating contributions	10,400	14,637	14,880	243
Licenses and permits	11,848	11,848	13,636	1,788
Fines and forfeitures	5,000	7,700	7,951	251
Charges for services	75,882	75,882	80,038	4,156
Interest and rentals	4,000	4,000	2,075	(1,925)
Miscellaneous revenues	6,000	6,000	3,931	(2,069)
Amounts available for appropriations	482,282	646,719	666,568	19,849
Charges to appropriations (outflows)				
General government				
Council	5,814	5,814	4,650	1,164
Village president	1,373	1,373	1,098	275
Village manager	33,758	33,758	32,980	778
Election officials	288	288	-	288
Clerk	3,642	3,642	2,044	1,598
Treasurer	4,375	4,375	4,283	92
Hall & grounds	154,424	158,199	146,044	12,155
Community planning and development	1,926	1,926	442	1,484
Public safety				
Village property	24,400	24,400	21,630	2,770
Law enforcement	149,375	152,438	148,353	4,085
Crossing guards	1,900	1,900	1,653	247
Fire protection	91,571	270,114	252,643	17,471
Health and Fire Rescue	13,933	13,933	12,957	976
Total charges to appropriations	486,779	672,160	628,777	43,383
Excess (deficiency) of resources over charges to appropriations	(4,497)	(25,441)	37,791	63,232
Beginning of Year Fund Balance	161,931	161,931	161,931	-
End of Year Fund Balance	\$ 157,434	\$ 136,490	\$ 199,722	\$ 63,232

See accompanying notes to financial statements

VILLAGE OF CENTREVILLE, ST. JOSEPH COUNTY, MICHIGAN

BUDGETARY COMPARISON SCHEDULE
MAJOR STREET FUND
FOR THE YEAR ENDED MARCH 31, 2005

	Original Budget	Amended Budget	Actual	Favorable (Unfavorable) Variance with Amended budget
Resources (inflows)				
State shared revenue	\$ 70,000	\$ 70,000	\$ 74,826	\$ 4,826
Interest income	4,000	4,000	2,742	(1,258)
Reimbursements	181,800	181,800	-	(181,800)
Amounts available for appropriations	255,800	255,800	77,568	(178,232)
Charges to appropriations (outflows)				
General government				
Village manager	2,964	2,964	2,858	106
Public works				
Construction	-	-	-	-
Street maintenance	274,861	274,861	71,269	203,592
Winter maintenance	4,623	4,623	4,674	(51)
Transfers to other funds	17,500	17,500	18,706	(1,206)
Total charges to appropriations	299,948	299,948	97,507	202,441
Excess (deficiency) of resources over charges to appropriations	(44,148)	(44,148)	(19,939)	24,209
Beginning of Year Fund Balance	237,432	237,432	237,432	-
End of Year Fund Balance	\$ 193,284	\$ 193,284	\$ 217,493	\$ 24,209

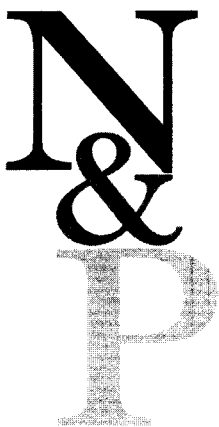
See accompanying notes to financial statements

VILLAGE OF CENTREVILLE, ST. JOSEPH COUNTY, MICHIGAN

BUDGETARY COMPARISON SCHEDULE
LOCAL STREET FUND
FOR THE YEAR ENDED MARCH 31, 2005

	Original Budget	Amended Budget	Actual	Favorable (Unfavorable) Variance with Amended budget
Resources (inflows)				
Millage/local roads	\$ 16,000	\$ 16,000	\$ 20,853	\$ 4,853
State shared revenue	29,500	29,500	33,561	4,061
Interest income	4,000	4,000	4,530	530
Transfers in from other funds	17,500	17,500	18,706	1,206
Amounts available for appropriations	67,000	67,000	77,650	10,650
Charges to appropriations (outflows)				
General government				
Village manager	2,964	2,964	2,928	36
Public works				
Street maintenance	44,145	44,145	34,114	10,031
Winter maintenance	4,162	4,162	3,735	427
Total charges to appropriations	51,271	51,271	40,777	10,494
Excess (deficiency) of resources over charges to appropriations	15,729	15,729	36,873	21,144
Beginning of Year Fund Balance	205,717	205,717	205,717	-
End of Year Fund Balance	\$ 221,446	\$ 221,446	\$ 242,590	\$ 21,144

See accompanying notes to financial statements



Norman & Paulsen, P.C.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT
AUDITING STANDARDS

To the Village Council
Village of Centreville, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the component unit, and each major fund of the Village of Centreville, Michigan, as of and for the year ended March 31, 2005, that collectively comprise the Village of Centreville, Michigan's basic financial statements and have issued our report thereon dated May 24, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of Centreville, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be a material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village of Centreville, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Village Council management and is not intended to be and should not be used by anyone other than this specified party.

Norman & Paulsen P.C.

May 24, 2005
Three Rivers, Michigan

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Bruce S. A. Gosling, CPA

Michael R. Wilson, CPA

Rick L. Strawser, CPA

Jerrel T. Norman (1941-1982)